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The Role of Colonialism in Britain's Wealth Accumulation: Examining Wealth Drain and Exploitation of India and Hong Kong

Rui Liu*

Keystone Academy, No.11, Anfu Street, Houshayu, Shunyi District, Beijing, 100000, China
*Email: lucyliu0806@126.com

ABSTRACT

This essay examines the role of colonialism in Britain's wealth accumulation, focusing on the exploitation of India and Hong Kong during the British Imperial era. It argues that Britain's status as a first-world country with the world's fifth largest economy is significantly due to the economic gains from its colonial past. The paper details the "Drain" of wealth from India, where Britain extracted nearly $45 trillion from 1765 to 1938, and the subsequent deindustrialization of India's economy. It also discusses the cost of conquering, land revenue systems, and the shared military burden that India bore, which alleviated Britain's financial strain during wars. The social benefits provided by Britain in India, such as railways, were financed by Indian taxpayers, with British investors reaping the profits. Turning to Hong Kong, the essay highlights the opium trade as a state-run business that funnelled profits to Britain and the transformation of Hong Kong into a trade and foreign investment hub, with real estate becoming a significant contributor to its GDP. The colonial government's policies in Hong Kong resulted in low tax revenues for the colony, yet high profits for British companies. The essay concludes that Britain's wealth and the strategic trade opportunities in its former colonies were made possible through imperialism, leaving a legacy of socio-economic imbalance and exploitation.

KEYWORDS

British Empire; Colonialism; Wealth Accumulation; India; Hong Kong; Economic Exploitation; Deindustrialization; Opium Trade; Imperial Wars; Social Infrastructure; Real Estate; Colonial Governance.

1. INTRODUCTION: A LEGACY OF WEALTH

The British Empire profited from its colonies with trade and natural resources during its Imperial era. Contemporarily, Britain inherits its historical status as a first world country with the fifth largest economy in the world. By juxtaposing Britain's gains and losses, it is evident that the British are much richer due to Imperialism than without it. It is also important that Britain exercised various forms of control over its colonies according to the circumstance and types of assets they had to offer. Namely, former colonies such as India and Hong Kong were exploited in different ways: India's natural resources, markets, and Hong Kong's role as a strategic base for Asian trade, both built Britain's contemporary wealth.

2. INDIA

2.1. The Drain from India

During its two centuries of colonialism, the British profited immensely from the Drain of wealth in India. Research totaling the two centuries of tax and trade shows that Britain drained nearly $45 trillion from India from 1765 to 1938, 17 times more than United Kingdom's total GDP today. The Drain was achieved by the East India Company establishing political dominance over India and creating a monopoly over trade. The Company then used taxes collected in India to fund its own pursuits. In other words, Britain did not pay for goods that they acquired from India. Cash crops such as tea, spices, indigo, and opium were exported to the west at premiums, ensuring margins beyond 100%, of which the East India Company pocketed alone. The profits of a single year of commerce in 1868 from salt, opium, and coal are estimated to be 17 million pounds.

India's massive market also played a significant role in sustaining Britain's industrialization. Until the late 18th century, India was one of the world's largest exports of textiles, with a share of world manufacturing output of 19.7% in 1800. Soon afterwards, Britain stifled the local Indian silk industry production to start their own businesses, creating a captive market. Taking advantage of political control, British productions replaced local cotton manufacturers, "deindustrializing" India. India's manufacturing output shrunk in half to 8.6% in 1860 and then to a mere 1.4% in 1913. By forcibly monopolizing the Indian market, Britain had control of over 66% of the Indian domestic market by 1887 and monetized accordingly.

2.2. The Cost of Conquering

Granted, it may be perceived that the cost of conquering and maintaining India would be expensive, but in actuality, the British charged the colony for their expenses. The 1757 Battle of Plassey made Britain the ruler of Bengal and the colonial power in South India. Bengal was the wealthiest region on the Indian subcontinent that provided fertile plantations for Indigo, tea, opium, jute, cotton, and rice. Consequently, the Empire gained access to ample natural resources and the economy, while Reparations for the war fell onto India, a demanding total of 22,000,000 rupees, equivalent to 2,750,000 sterling. The cost of conquering was minor for Britain as its expenses were reimbursed.

2.3. Land Revenue and Agriculture

After the Battle of Plassey, the British acquired all the land within the Maratha Ditch and 600 yards beyond it, approximately equating to 94,539 square miles. This commenced its rule of Bengal, allowing the British to gain land revenue, one of its most lucrative sources of income. Britain established numerous forms of land revenue systems such as selling farm licenses: In the half a century from 1782 to 1827, the earnings of the East India Company increased from 20,788 sterling to 560,028 sterling on farm licenses alone. The Company also profited more than 800,000 sterling in 1782 from opium and tobacco, the number then continuously increasing to more than 7 times by 1827. The commercialization of land and agriculture were at the cost of India. The cash crops that were grown were mostly for trade rather than food, leading to a significant decrease in food crops and consequently, numerous famines in India. The reason behind this being that the trade oriented British rule promoted the commercialization of agriculture. Although at the cost of the colony, commercialization is used by Britain to generate profitable revenue.

2.4. Shared Military Burden

India shared financial burden for all of the wars Imperialist Britain participated in from 1858 onwards. Economist S.G. Panandikar pointed out that India's expenditure in WWI was exceptionally high. Considering it is a country marginally related to the War and geographically distant from the front lines, India's war contributions equate to over $20 billion whilst Britain's entire expenditure was $47 billion. Furthermore, the war cost India 3.7 million tons of supplies, 170,000 animals and over 1.3 million servicemen. Indian aid considerably alleviated the British Empire financially, whilst India's wartime experiences led to its further impoverishment. There was a drain of manpower as men were, in the later stages of war, compulsorily recruited to join the military, which at its height expanded to 1.2 million soldiers, significantly damaging India's labor force.

Shared military burden continued into the Second World War. During the 1940s, the colonial government printed an extraordinary amount of money for military expenditure, and caused an escalation in prices for foods, the price of rice increasing by 300%. Indian people were pushed into poverty due to inflation, while the food supplies were diverted by the British government for their military use. Additionally, India's national debt of 3 million rupees were exacerbated by war loans and taxes, mostly indirect ones laid on essential goods. This especially hurt ordinary people, reducing their purchasing power under the high taxes. Customs duties financed a 300% increase in defense expenditure. In the post war period from 1914 to 1923, import duties on cotton textiles were raised by 7.5%, while total customs duties rose by 8.9% to 14.8%. These efforts all go to payment for Britain. Britain gained immensely from India's payment and without it would have suffered great military losses.

2.5. Insubstantial Social Benefits

The so-called social benefits that Britain provided during its presence in India were paid for by the colony itself. Social infrastructure such as railways were built at the expense of India, costing over £500 million. Though this amount was completely raised by Indian taxpayers, British investors were the main beneficiaries from it. The railways were constructed by the East India Company with their own interests in mind. From 1850 to 1875, Indian railways were the most profitable investment in the London Stock Exchange, guaranteeing shareholders 5% returns on their investment, twice of what British government stocks offered at that time because payment came from the colony's taxes. Private British companies backed by the Indian government were not only railway builders but also owners, who would build and operate lines with a guaranteed 5% return on their stockholders' investment assured by the Indian revenues of the empire. Between 1869 and the early 1880s, the Indian government itself built railroads for private British companies. After the railways were constructed, they were also solely staffed with European employees to "protect investments", without providing employment opportunities for the locals. Up until the early 20th century, railway workers were white men paid at European levels for their work, and their salaries largely repatriated back to Britain. This creates capital flight, where money is taken out of circulation for India. Such a phenomenon indicates that Britain took advantage of the colony's resources, even the social benefits the colonial state was supposed to provide.

3. HONG KONG

3.1. Opium Trade

Even in regions that were devoid of natural resources, British interference successfully enriched itself. Hong Kong was originally a sparsely populated fishing coast that was mostly swampland. Prior to its colonization, Hong Kong was a major port in Qing Dynasty China and was one of the few ways foreign traders could gain access to Chinese mainland. It became an international trade center, serving as a base for British merchants, and, most importantly, opium dealers.

Britain's opium business was state run. Opium was cultivated in India, then exported by the East India Company to supply the Chinese market through Hong Kong. At its highest in 1850s opium produced around 17% of total revenues of the British establishment in India, equating to 10 million pounds sterling. This was increased by the sales of opium in China, which is 41 million rupees annually from 1865 to 1875, approximately 2.7 million sterling. In addition, a relocation of silver taken from trading firms in China, such as Jardine and Matheson, to London Bank, suggests that capital flight was consequently created. During the 1820s, this business sent around 22 million pounds worth of Indian opium and cotton to China, ensuring profit for the British East India Company. It remained an important source of income in colonial finances, providing 6-15% of British India's tax revenues during the nineteenth century.

3.2. Foreign Investment

British colonization brought trade and foreign investment into Hong Kong. Britain opened and invested in companies in Hong Kong, many of which's legacies are still continued today. Many businesses associate with the British rule. For instance, Jardine & Matheson is still the best known of traders with Hong Kong. Founding its Hong Kong headquarters in 1832, Jardine Matheson had been notoriously known as the "most successful opium smuggling company in the world". The firm initially thrived on profits earned from the opium trade, smuggling illegal opium from British India to China, while also trading a wide range of imports such as cotton, tea, silk, and a variety of other goods. As the business expanded, it was one of the few trading sources for goods produced in Europe and United States to sell in Asian markets. In 1891 the group capital was 1.72 million pounds. Through the centuries the company adjusted with the times. In present day, it transformed itself into a modernized conglomerate. It now owns holdings in Hong Kong such as banking, shipping, and insurance, its annual revenues equating to approximately 30 billion USD. Its achievements today cannot be separated from its legacy.

3.3. Lucrative Real Estate

Real estate was the third largest contributor to Hong Kong's GDP. Almost half of the profits of the colonial state in British Hong Kong originated from the flourishing real estate business. The New Territories Lease in 1841, through auctions, limited land supply and only sold land lease rights to the highest bidders. This led to housing shortages, resulting in high land values. Between 1970 to 1996, if tax is included, up to 45% of the government's annual revenue was based on land. Between 1980 to 1995, an average of 29% of Hong Kong's GDP originated from land and property development and related financial services. British influence enriched itself through colonization by transforming Hong Kong's source of income, ensuring profit to its companies. The business, which in nature is low cost and high profits, was lucrative to Britain.

3.4. Low Cost of Governance

Although Hong Kong's tax revenues are low, political infrastructure and public services were paid by the colonies themselves. As can be seen in the Hong Kong Stamp Ordinance of 1866, Hong Kong's public expenditure was financed through taxes. The creation of civil services was through raising tax rates. For instance, the Hong Kong police force was established and supported by levying rates on properties in 1844-1848. Another detail was that Britain was cautious with financing their colonies by loan and never owned money for its colonies. There is no doubt that British rule resulted in astonishing economic growth. In three decades, Hong Kong's GDP increased from US$686 in 1966 to US$23,200 in 1996. Yet, behind these numbers is a large socio-economic imbalance. Upon Britain's departure 650,000 people lived below the poverty line. Most of the influential industries were British-dominated, and the regime tends to favor the British and its large businesses. As such, the colonial government acts in the interest of the imperial power.

4. CONCLUSION

In conclusion, through the examples of India and Hong Kong, it is evident that neither the markets established in India nor the strategic trade opportunities in Hong Kong could have been possible to Britain on its own without means of imperialism. It is important to acknowledge that a complex history of exploitation not only enriched Britain but also left enduring impacts, whether it be imbalances or dependencies, in its former colonies. A legacy of colonialism continues to affect the economic conditions of today.

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